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ADDRESS

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OF

T. S. LAMBERT, M.D.,

PRESIDENT OF THE AMERICAN POPULAR LIFE INSURANCE COMPANY,

BEFORE THE

NATIONAL INSURANCE CONVENTION,

NEW YORK, JUNE 1, 1871.

210285
Washington, D.C.

PRINTED AT THE WOMEN'S PRINTING HOUSE,
CORNER AVENUE A AND EIGHTH STREET,
NEW YORK.
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Hence Best Lives insured at 50 per cent. better advantage than elsewhere.

THE AMERICAN POPULAR

(~~IS~~ PURE STOCK;—NOT MUTUAL, NOT MIXED;—~~IS~~ YET IT)
(Guarantees RETURNS (DIVIDENDS) TO THE LONG-LIVED.)

LIFE INSURANCE COMPANY,

419, 421 Broadway, corner Canal St., New York.

Has several valuable minor *new* features, but its great and distinctive point or principle, by which it differs from, and becomes superior to all others is, that they class all their insured together, each sharing in the losses caused by any, while this company insures *sound* lives in *four separate classes*, at premiums varying with the risk in each class; each class being, as it were, a separate company, paying its own losses, and sharing in its own surplus.

To first-class lives, therefore, that is, those having LONG-LIVED ANCESTRY, VIGOROUS CONSTITUTIONS, CORRECT HABITS, FAVORABLE RESIDENCE AND VOCATION, SOUND HEALTH, etc., the AMERICAN POPULAR LIFE presents advantages in the form of *moderate present cost* and *ultimate large returns*, as well as in the PERFECT SECURITY of a *carefully selected and scientifically classified* register of risks, obtainable in no other company; since in this Company, and, as yet, in no other, are the inferior sound risks, insured by all companies, compelled by separate classing to pay what it is worth to insure them, thus *making insurance here just and equitable to all*.

Hence this Company requires and demands more complete applications, and has more extended blanks than others need; hence seeks all insurance truths, scientific developments, and especially information bearing upon the indications of longevity; desires family and personal life histories, and will gladly *rate or class persons gratuitously*, which will be valuable if insurance is not wanted. Therefore, send or call for a blank and be rated, and for other interesting documents upon longevity and the new principles of life insurance working.

*** AGENTS NOW WANTED IN EVERY COUNTY AND TOWN.** For the past two years this Company has been limited to a very small, though excellent business. (For reasons see Doc. 12.) It is now prepared to do all that is offered. ~~IS~~ **PHYSICIANS** make the best of agents for this Company. Agents, beside commissions, have an interest in the profits.

MEDICAL MEN will be interested to know that we make an extra compensation to our examiners, who, by their thoroughness and skill, are the most successful in securing for us the best class of cases, and avoiding losses.

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ADDRESS.

Mr. Kelsey, Commissioner for New Jersey, moved that Dr. T. S. Lambert, President of the American Popular Life Insurance Company, be requested to address the Convention. Carried.

Dr. Lambert then spoke as follows :

(The address was somewhat abbreviated in its introduction, for publication in the Report of the Convention. It is here given in full.)

MR. PRESIDENT, AND GENTLEMEN OF THE CONVENTION :

I have been presented to you as the President of the American Popular Life Insurance Company of this city. I do not, however, appear before you in that capacity, but as the representative of a class of ideas, the importance of which is so great, and in which I feel so deep an interest, that I believe that it is entirely possible, as it is certainly eminently proper, for me to lay aside, if not all partisan, at least all personal feelings, and address you from a purely scientific standpoint.

Every one, gentlemen, who has observed your general or your committee meetings, must have been impressed with the conviction that the Honorable Members of this Congress have come together in the same spirit, Mr. President, which actuated your mind in suggesting the meeting. It is plainly evident that one and all of you have been governed by a liberal desire to devise such measures as shall provide for the perfect security of insurance to the people at the least expense. This spirit is so manifest, that I should be wanting in self-respect, and also fail to exhibit that well-grounded regard that I feel for this intelligent Congress of State Officials, if I did not accept your invitation, and reply to it in the same spirit that you have so laudably displayed.

Mr. Winston did himself great credit by presenting, as the representative of all the Life Insurance Companies, the points upon which they would all agree. The cosmopolitan character of his address was admirable, and upon the points to which he called your attention

nothing could be added nor better said. You wisely allowed his report to be supplemented, by inviting the presentation before you, if desirable, of any class of insurance ideas.

In accordance therewith I speak to-day, not as the official of my Company; but in harmony with your mission, I represent a class of ideas, which those who understand them believe to be not only important, but essential to the security and complete development of Life Insurance. True, a part of the ideas that I shall have the privilege of presenting are as yet fully worked by one Company only; but I am glad to hear that two more upon the same plan are incipient. In their prosperity I shall equally rejoice, since my rejoicing is for the cause, and not solely for personal emolument.

If any official position on account of experience obtained, or confidence enjoyed, would seem to lend force to my remarks, I should prefer to speak as a hygienic actuary, the functions of which, either as an amateur or officially, have occupied much of my time and attention for many years.

As this office does not distinctively exist in most Companies—although it should in every one—it will not be trivial to define its duties or functions, although its name may be sufficiently significant. It implies a combination of a knowledge of the Science of Life and of Actuarial Mathematics, such that a person may be able thereby to measure correctly the probable length of healthy lives—*i. e.*, those usually called insurable; in the same manner as it is the function of the pathological actuary to estimate the probable length of unsound lives.

I may dwell upon this point as one of the class of ideas that I wish to present before you. The functions of a hygienic actuary, to be most effective, should—indeed, must—be combined in the same person. It is, in fact, almost impossible to separate them entirely, and have each performed by distinct persons. When this is attempted, as is generally the case, we often find the medical examiner arguing upon the probable length of life of an applicant, and conjecturing his rational expectation. We perhaps still oftener find Actuaries busy with the problems of life, not mathematically only, but deeply interested in legitimately and logically developing and applying the Science of Life, making correct and useful observations and deductions based upon the facts of actual life, brought under their notice or forced upon their attention. Mr. Homans, in his admirable paper before the Social Science Association, exhibited a great truth that I

have always maintained: that men, in insuring, are very much governed by their instincts; and he illustrated the important fact by showing that applicants usually, or upon an average, instinctively choose those kinds of policies which are most for their interest.

There is no objection to having the mere mechanical work of either function performed by distinct persons experts in but one. A medical examiner may be ignorant of actuarial mathematics, yet competent to distinguish sound from unsound applicants. But if he does not know the expectation of an applicant's age, nor what it will cost to insure a class of such persons, he certainly goes beyond his province when he recommends a person as "insurable." Often, when such an opinion has been given, an examiner, being asked, has replied that he did not know what the "expectation" of the person's age was; and when told, and asked if the party would live as long as the expectation, has quickly replied, "Not a single chance for it!"

In the same manner the mathematical actuary would often vary his computations materially, if he fully realized the probabilities of a class of lives similar to the one for which he is computing a premium. Suppose the person to be thirty years of age, and the actuary to be informed that he is insurable for not more than fifteen years; the actuary would not, as is generally done, give him a "combined term and endowment" "fifteen-year policy" as at thirty, the premiums of which are computed as for one whose "expectation" is thirty years; but the actuary would enforce upon such a person a premium as at fifty-six years of age, which has an "expectation" of fifteen years, during which the ratio of the living and dying will usually be similar to the probabilities of the person of thirty, who has but fifteen years probably before him. If the actuary gives him the premium of thirty, no matter of what kind of policy, it is too low; and in this way tens of thousands of applicants have been insured at premiums that are sure to net a loss to the Companies that have thus done their business.

It will be just as scientific and proper to give him an annual for life-payment policy, as it is to give him a term and endowment at thirty. There is no objection to giving either at fifty-six, for the premium of that age in each case is a premium for fifteen years at the close of life. True, there are exceptional cases in which persons at thirty, having but fifteen years to live, probably have no more probability of dying during that time than the average of people at thirty, but that is not the rule.

It is evident, then, that Life Insurance requires the performance of functions by men thoroughly educated in the science of life and in the science of actuarial mathematics; and that, while these functions may be performed by distinct persons, to be complete or most perfect Life Insurance, demands that, to a good knowledge of the science of life, a good knowledge of actuarial mathematics should be superadded.

The applications to a Company should pass not only under the critical eye of an examiner and that of an actuary, but be subjected to the analysis of a person in whom both functions are combined. In other words, actuaries should become students of the science of life; and examiners at the central office should not have their duties merely incidental to a general practice, but should be devoted to them exclusively, and fitted for them by adding to a thorough knowledge of life a good knowledge of actuarial mathematics. Then would the two officers be admirable adjuncts to each other, and efficient co-workers in producing security to the Company with which they coöperate.

Before I proceed to the next point, let me remove all prejudice and apprehension from your mind, that anything heterodox or jeopardizing to the cause of insurance security is to be presented before you. Indeed, the class of ideas that I represent were devised, grouped, and worked out for the very purpose for which your assembling was suggested—*i. e.*, for the security of Life Insurance. These ideas required no experiments, they being simply the legitimate deductions drawn from the experiments of others. Or, if any one insists upon calling these ideas experiments—which they cannot be properly said to be—they are, to say the least, not so in any sense meaning that they in any possible degree jeopardize security;—which they most stoutly tend to maintain.

As the time that you have is very limited, I will briefly touch, singly and collectively, upon only three other of the classes of ideas to which I have referred:

1st. The stock idea.

2d. The mortality idea.

3d. The interest basis of valuation; all of which bear very strongly upon the security of Life Insurance.

A very incorrect idea seems to prevail generally in regard to the meaning of the word "stock" as applied to a Company. Some suppose that this name excludes any making of returns or dividends, and that, if they are made, a Company becomes "mixed" if it has a capital, and "mutual" if it has not a capital.

This is a serious error, leading to a very pernicious misunderstanding and conclusion. The fact is, most "stock" Companies do make returns and dividends; for the "Return Premium Policy" exhibits a return or dividend by increase of insurance, etc. The great truth is, that whether a Company is stock or not, depends upon the use made of its capital. I like the definition of one of your honorable members—Mr. Caldwell, of Indiana—who has remarked that, "when the capital of a Company is used and permanently invested for the construction of business, the Company is stock." So, if the capital is used briefly for construction of business, but is to be ultimately collected from the assured and returned to the stockholders, the Company is "mixed." That is, when all the expense of assurance falls upon the assured, the Company is "mutual" or "mixed;" where the cost falls upon the assured and the stock-holders, the Company is stock, the former merely paying the latter interest upon the capital invested by the Company. (If the stock-holders can transact the business extra-economical or extra-remunerative, and ask a share, or the whole, of the results, another question is presented.) But now the question is purely upon the use of the capital, which determines the character of the Company. If permanently invested for construction of business, the Company is stock, otherwise not; and in either case it may make returns, or not.

If the true character of a stock Company was understood, much misapprehension would be removed; for it is evidently not intended nor desirable that its capital, nor any part of it, should remain on hand; for it is by this use of the capital that it is able securely to make its premiums lower than those of "mutual" and "mixed" Companies, which permanently invest no part of a capital, but make premiums large enough to cover all cost of insurance. Indeed, is it consistent to say that any part of the capital of a stock Company should be reserved for security of the policies, when the reserves legally required upon them are sufficient. If they are not, let the basis of computation be corrected; but do not say that a reserve of a per cent. of capital is needed. A larger capital than is needed for construction of business is not, of course, desirable, as it is an expense if unused, and had better be withdrawn for a more active use; and if used for the purpose of constructing business, or to make good the reserves for the time being, it is not properly to be called impaired, but invested. If any part of it must be reserved, it is evident it

should not be a per cent. of the whole, but a per cent. of the business, since it is supposed to be reserved to secure business.

If such additional reserve of capital be regarded as essential, one of the chief advantages of a stock Company in favor of security will be cast aside; since the lower premiums that the construction use of capital permits attracts the best class of lives.

For example: if a first-class risk of twenty-five years of age finds his premium upon \$1,000 will be \$20 annually for life, he at once computes at full interest the full amount to be paid by him if living as long as his oldest ancestor did, and is surprised at the magnitude of the result compared with the littleness of the assurance, even if increased by the most liberal suppositions ever made by an agent, and he turns from insurance with disgust; while only inferior risks will gladly pay the \$20; \$15 would be more attractive to the best class, especially if there was also a hope of an after-return to the long-lived. As good business would thus be secured, inferior risks would be discarded, or enforced to pay an adequate premium. While, if the premiums are large, the necessity for doing business, and the belief that the premiums are large enough to cover almost any case, tend to load a Company with inferior risks. That is to say, the lower premiums of stock Companies would be likely to attract and secure a larger proportion of superior risks; while the larger premiums of "mutual" and "mixed" Companies would tend to secure risks that, after a little time, will produce an unfavorable mortality; while the apparent large surplus produced for a few years, by large premiums, encourages a lavish expenditure.

But the stock idea also tends to a better selection, because of the pecuniary interest concerned in producing a low mortality. Especially will this be the case if all the agents, examiners, etc., concerned in making a policy, have an abiding pecuniary interest in the transaction, which should always be the case.

One of the ideas that I would urge is, that no flat commissions or brokerage should be given to an agent, but that every agent, every official, and especially every examiner, should have a pecuniary interest in the result of every case he assists in insuring.

But it may be asked: Can the mortality of a Company be controlled to any practical extent?

This leads us directly to our second practical idea, important not only, but essential, to security—*i. e.*, methods of securing a favorable mortality in a Company.

Doubtless every member of this Convention was surprised, as everybody is, when he first learned the fact that the tables of the experienced mortality of Companies—Actuaries', American Experience, etc.—exhibited a greater mortality, not at every age, but in the aggregate, than the tables of the mortality of the people at large—Carlisle, Farr's, etc.; and the exclamation generally is, What, then, is the use of the selection made by the Companies? But it is supposed that without "selection" the result would be still worse. It may be said, in excuse, that the tables of "experience" are, in truth, made with a larger mortality than the facts show, in order to allow for extraordinary occasions. While this is doubtless true of some Companies, it is not of others, which evidently have a greater mortality than any published experience table exhibits.

The facts upon this subject of mortality show that it is the most important of all in regard to security, and that the "Science of Life" must be applied to the transaction of life insurance business, or it cannot permanently prosper. This statement casts no reflection upon the sphere of mathematics nor upon the actuary's profession, for the thorough investigation of the facts of life gives to him a proper basis upon which to make his computations correctly, which will then never be in danger of bringing him into discredit, as they now too often do.

Nor is the science of life, as practically applicable to insurance, or to every-day business life generally, a mystery nor in any respect occult, but is easily learned and applied by any apt scholar constitutionally adapted to make accurate observations and deductions. Precisely that is true of vitality and longevity indications, which in the following extract, is tersely expressed by the editor of the *Standard* in regard to the subject discussed in your committee meeting which I was invited to address, and the lateness of which postponed my remarks until the present time. He says:

"The debate of actuaries in the presence of General Smith's Committee on Valuations, which was held at the Fifth Avenue Hotel on the evening of the sixth day of the session and protracted until two o'clock in the morning, was probably the most important one of the kind ever held. It resulted in proving, we think, to the satisfaction of the Convention, that the hitherto supposed mystery enveloping the business of Life Insurance is in fact no mystery at all, and that, by the exercise of a little common sense, all the rubbish which has accumulated about the questions of the rate of mortality and rate of interest can be swept away, and the ground left clear for future business."

Yet, however simple the facts of the science of life and the actuarial mathematics applicable to insurance, a knowledge of both is essential; hence, while the examiner without actuarial knowledge is not qualified to decide upon insurability, so the actuary who knows nothing of life, as has been too much the case, is not any better, nor so well, qualified to decide questions of Life Insurance.

Your blanks, gentlemen, should question the Companies upon the causes of deaths experienced, and compiled tables should show the ratio of inherited constitutional and other diseases with which the insured die, and the number of premiums each deceased person paid. If you shall require from each Company copies of blank applications, and of those filled by applicants taken at random upon numbers that you shall give, you may be able to compile a more perfect application than those of any Company; and, by noticing the applications, you can judge at least somewhat correctly the character of the risks insured, and thus reach approximately a sound judgment upon the first element of security in a Company—*i. e.*, its kind of risks; for it cannot be denied that a superior class of risks is the best asset that any Company can possess, since, the greater the number of future premiums receivable, the less the amount of reserve needed in addition, to equal the assurances promised. In fact, if the future premiums receivable will more than equal assurances, even a negative reserve is not only compatible with solvency and perfect security, but the conditions permitting this negative reserve are the most desirable of all things in life insurance towards producing prosperity to a Company with the least expense to the assured. It must not, therefore, be overlooked, that any legal assumption that ignores the kinds of risks insured, fails to recognize and to use not only one of the most valuable, but one essential means of inducing security. You may reply, that, however important this matter may be, it would be too difficult—indeed, utterly impossible—to examine each case in the Companies so as to form a practical judgment upon the character of the risks insured, that therefore a mortality table must be assumed high enough to cover the risks that any Company will have, and allow each one to do as much better as it can or will. But to seek security without ascertaining the character of risks, appears like the play of “Hamlet” with Hamlet omitted. In fact, this plan of a high assumption cannot but thwart the very object in view, since the high mortality necessitates a high premium, repelling the best risks, which, at ordinary premiums for all persons insured, are the only salvation of the Com-

pany. Take an extreme case for illustration. If, on account of high mortality, low rate of interest, heavy loading, or all combined, a person of thirty years of age should be charged a premium of \$100 per \$1,000 assurance, annual for life-payments, would he accept a policy unless almost sure that he would die in a few years at farthest? Of course not. Is it not evident without argument, that the best risks are the best element of security? Is it not evident, that whatever attracts them is of prime importance in attaining security? Is it not evident that large premiums will repel and smaller premiums attract the probably long-lived? Will not, then, the latter induce a security under small premiums, which will become less and less probable the higher the premiums are made? And will not greater reserves be necessary when the future premiums are large, than when they are small, if, on account of being small, they have attracted extra good risks?

If the character of the risks is not inquired into, but assumed, is there any use of going farther? May not everything else be equally well assumed to be sufficient? If the moral and intellectual assets of a Company are assumed to be sufficient in regard to character of risks, why distrust them upon matters of less moment? If the risks in a Company are inferior to the assumption, is there any security?

May I not, then, argue again, that in one way and another you can ascertain—and easily, for all practical purposes—if a Company is insuring risks below the mortality table upon which its premiums are based?

You may, for instance, inquire how many of the insured of each Company have been taken upon “combined term and endowment” policies, or upon five, ten, fifteen, or twenty payments, who would not be taken upon the annual for life-payment, at the same age. This would at once, in some cases, reveal a remarkable number of inferior lives, which are now assumed by the departments to be at least average good. Also, you might ask, How many are insured for small, who would not be for large amounts? This would also assist in bringing to light a very important fact—*i. e.*, that all the Companies think that they can and do distinguish differences in sound and insurable lives, although most of them do not express the fact in a very scientific, and certainly not in a very equitable manner.

This fact of distinctions being made would at least put a lasting silence upon those who, ignorant of what may be and is done, absurdly

assert that applicants for insurance are divisible into only two classes : those who are insurable, and those who are not.

What is the process by which this division into two classes would be made ? The same precisely by which sound lives are classed ; and it is much easier to distinguish between three, four, or five classes of sound, or of unsound lives, than it is to distinguish between incipient unsound and truly sound risks. To do that, is often insuperably difficult. I may appeal to any one in this room if he cannot, from those present, select risks more desirable than others, all of which would properly be called insurable ?

Is there any way in which life insurance can be made secure, or offered to all to whom it would be useful, except by commencing at the foundation, and classing lives or risks according to their vitality and longevity characteristics, and first or last adjusting to each class its own cost, holding out the inducements of equitable advantages to the best class, either by low premiums, increasing assurance, or partly by both, and enforcing upon the inferior risks an adequate but entirely equitable premium ? *

True, it may be said—and it is not denied—that the very best class in this case may be selected and called the insurable, and all the others discarded. Thus, but two classes might be made, and one premium might be applied to all persons of the same age. But this would exclude three-fifths, if not three-fourths, of those now insured, and insurable with perfect propriety, at a practical premium all the way from a little to very much higher than is ample for the first class. Nor is there any practical objection to conferring the great benefit of insurance upon all classes of lives, attracting the best and inducing the inferior risks, since the classing of them is very easy.

Upon my left, for example, there sits a gentleman whom I do not know, nor has he probably seen me before, yet I can perceive, by his life-indications, that his ancestry upon both sides reached a very high longevity—eighty to ninety years, and some to a hundred, or nearly that age.† He nods assent. “Apoplectic,” whispers one. Not so.

* These four classes of sound lives should be made and kept entirely separate ; or, in other words, each class should be a distinct company. In the “American Popular,” those sound persons who would be insured together by the old plan are insured in four classes or companies, made perfectly distinct as it respects their losses, returns, etc.

† “It is but fair to remark in this connection, that the gentleman here referred to by Dr. Lambert told the undersigned that he had never seen Dr. L. before, but that the facts concerning his family were exactly as herein stated.—“H. S. O.” (The initials of Mr. Olcott, Secretary of the Insurance Convention, this foot-note being his.)

It is a popular fallacy, that a corpulent person with short neck is apoplectic. More spare persons having long necks die of apoplexy. At least, if you inquire, you will find that none of this gentleman's ancestry has died of apoplexy; and he resembles them very much, especially his mother's father, whom he "takes after." He again assents. "How do I know these things?" Easily. When the color of the whiskers is lighter than the eyes and hair, the person "takes after" the mother's side; and if the shoulders are broad, the mother's father; while, with the like relations of color, if the neck is long, the shoulders sloping, and chest less developed, the inheritance is chiefly from the mother's mother's side. (Several other illustrations were made from those present.)

A written history, with a complete personal delineation in an application, equally furnishes all the data by which a competent person can do, as one of your honorable members—Dr. Atchison, of Tennessee—said he always wished to do when deciding upon the acceptance of a case, "from the description, throw up before me a picture of the applicant, and look at him as if he were present," and, from the points presented, determine the relative risk of the life. If this can be so easily done, will any one argue that there is any necessity for insuring such gentlemen as this one upon my left at ordinary prices, and classing him with ordinary and inferior risks, the losses among whom he must then inequitably share? Look at the relative length of his trunk! One glance is alone almost sufficient to decide the desirable character of the risk. His instincts have always assured him that he will probably enjoy a long life; and only the most strenuous circumstances will induce him to insure. If the bases upon which his premiums are computed are altogether disproportionate to the facts in his case, at least unless he is classed so as ultimately to receive his appropriate advantages, he will reject insurance. This leads us naturally to our third point.

3d. Proper interest basis of valuation.

It is not necessary to demonstrate before this audience the relations of interest assumed, to premiums and reserves, since you all know that these latter are the products of the former, and, the larger that is, the smaller are they, and *vice versa*. Yet few truly realize the magnitude of the effects of compound interest, and still fewer perceive the injustice, insecurity, and extravagance naturally resulting to insurance from the low rate assumed by the law. Indeed, such a false view is taken, that, in the Legislature of one State last winter, it was pro-

posed to reduce the rate to three per cent., in order to promote security; which was like Sangrado's doctrine—to bleed his patients the more the weaker they grew.

Doubtless every gentleman present, like everybody else, has wondered that four per cent. should have been assumed—at least, should be continued—when it is so evidently wrong scientifically (morally, it is still worse). But its effects have been overshadowed by the argument of security, which has been accepted without examination as being sufficient, whereas security lies in the opposite direction; and this low-rate law, like almost all other laws, has the public good as a pretence, but some other reason in fact.

First, the four per cent. basis was easily copied literally from the English Companies. The principle of those, however, was to assume the *highest* rate of interest receivable. Second, it is easier to continue a habit than it is to familiarize our minds with new computations. Third, the inertia of the mind is in favor of that which has been, which it calls conservative, while often it is merely a car of Juggernaut. Fourth, but probably the greatest reason for adopting and maintaining the low rate, was, that much of the assets of most of the Companies, years ago, were not in cash values, and it was thought best to require so large a reserve that the cash part might go as far as possible toward paying liabilities. As a man, when asked why he had sold a dog for ten dollars for which he had demanded but five dollars, replied, that he was obliged to accept payment in one worthless small dog at five dollars, and therefore only received five dollars of value. But this temporizing has only made things worse rather than better—as it always does. Certainly, where the reserve exists in all cash values, any argument in favor of a four per cent. basis for reserve is a *non sequitur*, and is productive of a tendency to injustice, and, of course, to insecurity, as I will illustrate by a few facts. In seventy years (from twenty-five, to ninety-five the endowment period of New York State whole-life tables) money nearly doubles by the effect of each additional per cent. rate of interest. \$5 becomes nearly \$9, \$18, \$37, \$75, \$150, \$300, \$600, \$1,200, \$2,400, \$5,000, at from one to ten per cent. The difference between the four per cent. interest of England and the eight per cent. of our Western States is the difference between \$75 and \$1,200. Shall, then, the necessities and the results in the two countries be computed upon the same basis? The statement is itself a *reductio ad absurdum*.

Again, if twenty-five annual premiums have been computed on the

basis of four per cent. to cover assurances, are not twenty of such at six per cent. much better? That is, if six per cent. upon them is in fact receivable, a young Company will find in twenty of its future premiums more than enough to cover its liabilities, and will be more than solvent without a dollar of reserves. A negative reserve, even, is not insolvency to a young Company, especially if it have a large proportion of truly best risks—the best assets of any Company except it may be those moral and intellectual assets which will enable it to get more risks of the same kind. At least this must be allowed, and this is all that it is desirable to show, that a young Company having legal reserves absolutely not needed, is relatively much stronger than old Companies that absolutely need most, or all, of their reserves! It is also evident, that a young stock Company does not need any reserve of capital in addition to a reserve covering its policy liabilities, and that, instead of being charged with such a reserve of capital, it ought to be credited with an investment of capital. Is not, then, any legal fiction which by word or implication tends to weaken confidence in any Company that is really strong, a legal libel, that is quite as much to be condemned as if a similar baseless reproach had been uttered by a private person?—indeed, more to be reprehended, because there is a remedy against the private person, and also because such a law militates against not only the given Company, but against the cause of insurance.

Whatsoever is morally or scientifically wrong, tends toward insecurity; whereas, whatever is morally and scientifically right must support security.

For instance: upon the statute-books of any State ought there to be found such egotistical and unjust laws as those limiting investments to certain sections, ostensibly for the protection of policyholders, but really to affect the demand for State stocks, thus withholding from widows and orphans a larger interest, under the pretence of serving them? All the “ways that are dark and tricks that are vain” have not been monopolized by the “heathen Chinese.”

One word upon surrender values. Is it not evident that these should be governed in part by what has been paid into a Company, especially if the premiums have been computed upon bases of mortality greater and a rate of interest less than the real facts warrant? Ought not also the condition of the individual, as well as that of the Company, to be considered? In short, ought not a person to be examined as much when he “takes out a surrender value” as when he

“takes out a policy” from a Company? How can the Company know what it can afford more in one case than in the other, without it has the facts developed by an examination?

A word may also be said in this connection upon the idea that an Insurance Company is a depository, like a savings bank. It is not. It has none of the functions of a savings bank, properly speaking. All the functions of an Insurance Company are insurance functions, more expensive than mere depository functions, as they are more valuable to the persons who are profited by them.

In conclusion, would not greater security, as I have tried to show, be given to insurance, if stock Companies should be encouraged, instead of being, as now, adversely compared with their competitors by the working of the laws?

Would not security be greatly increased—indeed, made perfect—by means of the separate classing of sound lives, and basing the computation of reserves and premiums upon the facts in the cases really insured?

Is there a doubt that a computation upon a basis of practical interest receivable would tend to promote security and curtail expenses?

If I have appeared to discuss these points with too much warmth, excuse the enthusiasm, since it arises from a sincere and candid conviction of the correctness of the ideas that I have had time to only briefly indicate, not elaborate; and because, gentlemen, from your official relations to insurance, you can extend and enforce the correct philosophy of insurance as it is impossible for me to do.

Desiring, hoping, and believing that your wisdom and deliberations, and your interchange of views through this meeting, will prove highly advantageous to this, which I believe to be the greatest cause of humanity and of advancing civilization, and thanking you most heartily for your public labors, I also return you my warm thanks for your politeness to myself personally, and as a representative of the ideas that I have advocated.

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